

MINUTES

**FINANCE AND RISK MANAGEMENT COMMITTEE MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**

**Retirement Board Conference Room
One McInnis Parkway, 1st Floor
San Rafael, CA**

November 19, 2014 – 9 a.m.

CALL TO ORDER Chair Gladstern called the meeting to order at 9:02 a.m.

ROLL CALL PRESENT: Bartfeld, Bolger, Brenk, Given, Gladstern, Piombo, Shore

ABSENT: None

MINUTES

It was M/S Bolger/Given to approve the August 20, 2014 Finance and Risk Management Committee Meeting Minutes as submitted.

AYES: Bartfeld, Bolger, Brenk, Given, Gladstern, Piombo, Shore
NOES: None
ABSTAIN: None
ABSENT: None

A. OPEN TIME FOR PUBLIC EXPRESSION

No public comment.

B. NEW BUSINESS

1. Administrative Budget FY 2014/15 Review

Consider and review budget for quarter ending September 30, 2014

Mr. Wickman reported that overall first quarter administrative expenditures are on track at 25% of the budgeted amount. The Administrator reviewed budget categories running higher than 25% for the quarter. Workers Compensation Insurance (59%) was impacted as a result of higher than expected experience in the County of Marin pool. In professional services (66%) payments were made to Brown Armstrong for the annual financial audit and an additional amount to lead the implementation of GASB 67/68. Mr. Wickman noted that is a one-time expense and professional fees are expected to balance out over the course of the fiscal year. In Membership and Dues (40%) SACRS dues are an annual amount. A few complex disability retirement applications led to higher expenses for Transcription/Medical Records Review (55%) and Investigations (38%). In

response to trustee inquiries, Mr. Wickman noted that there is an increasing complexity to disability cases.

Trustee Brenk joined the meeting at 9:17 a.m.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Mr. Wickman reviewed non-budgeted expenses for the quarter. Retiree Payroll is the largest single expenditure at \$28 million. CPAS expenses include the annual hosting services fee, software upgrades and additional maintenance. Additional service hours were purchased to have new contribution rates updated. There was a discussion of legal expenses in relation to the data in the survey conducted for SACRS by R.V. Kuhns. Comparison of the data is difficult because some systems utilized in-house counsel. The Committee discussed the current legal environment including the cases pending appeal. In general there was consensus that MCERA has received excellent representation but it is also necessary for the Retirement Administrator to be diligent in managing legal expenses.

Other non-budgeted items include Woodmont expenses for placing Century Plaza on the market, which is half their fee for selling the property. Investment manager fees are the second largest category. Trustee Bolger encouraged a focus on potential avenues to reduce investment manager fees. Mr. Wickman noted that the Investment Committee has previously discussed moving the Artisan and Morgan Stanley international portfolios to separate accounts which would result in lower fees.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

The committee reviewed educational and training expenses for trustees and staff that include the CalAPRS Principles of Pension Management and Leadership Management courses.

b. Continuing Trustee Education Log

Continuing Education requirements of 24 hours every 2 years have been met for all trustees for the initial December 2014 deadline.

c. Other expenses per Checklist guidelines

No discussion.

d. Variances in the MCERA administrative budget in excess of 10%

See discussion above.

e. Reconciliation of MCERA administrative accounts

Mr. Wickman reported that there has been good progress in identifying key drivers for the reconciliation.

f. Vendor services provided to MCERA

No new items to report.

g. MCERA staffing status

See Agenda Item B.5 below regarding the Financial Officer position.

h. Internal controls, compliance activities and capital calls

Capital calls for private equity commitments are more consistent recently as activity has increased in the private equity markets.

i. Audits, examinations, investigations or inquiries from governmental agencies

The annual audit resulted in a clean opinion of the financial statements as of June 30, 2014. Processes for documenting risk assessment and adding and removing staff from CPAS will be reviewed. Mr. Wickman commended Ms. Jackson for the favorable audit.

j. Other items from the Retirement Administrator related to risk and finance

No discussion.

Chair Gladstern recessed the meeting for a break at 10:29 a.m., reconvening at 10:43 a.m.

4. Fiduciary Liability Insurance Renewal (Action)

Consider and take possible action on selection of fiduciary liability insurance provider

Staff presented an initial review of two proposals for MCERA's fiduciary liability insurance from current provider AIG (National Union Fire Insurance Company of Pittsburg) and Hudson Insurance Company. The advisability of changing providers given current litigation was considered. Upon discussion of the cost and benefit of the insurance, Mr. Wickman noted that due to current litigation cost was not the only issue to consider. Furthermore, Mr. Wickman pointed out that the interpretation of pensionable compensation with respect to PEPRA (Public Employees' Pension Reform Act of 2013) members raised a potential issue that could result in future litigation and notice already had been provided to the current insurer on that topic. In response to Trustee Shore's inquiry, Ms. Dunning explained that fiduciary liability insurance is in addition to broad immunities and discretionary authority under which the Plan and Board members operate.

The Committee directed staff to bring a recommendation for renewal of fiduciary liability insurance to the Board.

5. Recruitment of Financial Officer Position (Action)

Discuss the potential use of an external recruiter for the financial officer position

Mr. Wickman has been working with the Marin County Department of Human Resources on recruiting the Financial Officer position. Due to the challenge of finding the right fit for the job, the Administrator advised using Alliance Resource Consulting for this purpose. The firm has a solid recruiting history that is supported by the county's positive experience. The cost would be approximately \$20,000. Discussions were supportive of Mr. Wickman's proposal.

It was M/S Bolger/Shore to recommend that the Board approve the retention of a recruiter for the Financial Officer position subject to acceptable terms.

AYES: Bartfeld, Bolger, Brenk, Given, Gladstern, Piombo, Shore
NOES: None
ABSTAIN: None
ABSENT: None

6. Future Meetings

Consider possible agenda topics for future meetings

There being no further business, Chair Gladstern adjourned the meeting at 11:34 a.m.

Maya Gladstern, Chair

Attest: Jeff Wickman, Retirement Administrator